

The Stop & Shop Companies Annual Report 1969

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CORPORATION FILE

From the Chairman:

I would like to insert a brief personal word before you glance through the record of our 54th and finest year of accomplishment.

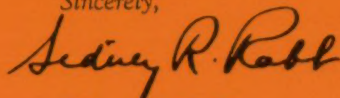
As a result of a serious fire in August of 1969, we have had to supply our 139 supermarkets with dry groceries without a central distribution center. This, quite simply, was the greatest challenge we had ever faced. Throughout the balance of the year I witnessed repeated instances of personal sacrifice and innovative energy from hundreds, to meet that challenge.

I have been in the food and retailing business for 52 years. I've worked with Stop & Shop people from the tiny corner grocery store era, through the first struggling supermarket times, and the newer decades of a multi-state diversified company.

I have always believed that success comes first and foremost from attracting sound, imaginative people, and giving them ever-increasing challenges.

"People make the difference" is far more to us than empty rhetoric. I have never been more proud to be associated with this group of men and women, than I am today.

Sincerely,



Sidney R. Rabb

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THE COVER: Earlier this year the decision was made to portray a more accurate picture of a steadily growing complex of varied retailing endeavors; and to retain the values of a long established name. With this Report we introduce the new look of The Stop & Shop Companies. Approval of the change of the corporate name from Stop & Shop Inc. to "The Stop & Shop Companies Inc." will be voted on at the Company's Annual Meeting, May 26, 1970.

Color is the name of the game, and oranges turn it on, beneath an eye catching sign for species, latin origin, price and suggested use. Small touch, but right to the point, the persuasive point of sale - and sales of 14 varieties of oranges came to \$5 million last year. We sell 900,000 boxes per year - from Israel, Florida, California and Arizona.

mini-pricing

ONE SIDE PARTY HERE

ITEM	PRICE
APPLES	99¢
BANANAS	49¢
ORANGES	89¢
PEARS	59¢
PEPPERS	99¢
TOMATOES	99¢

today's feature...

Oranges



California Navel oranges
Seedless, easy to peel,
easy to segment for
breakfast or dessert.

mini-priced

8 69

Citrus aurantium

Fine Art of Living

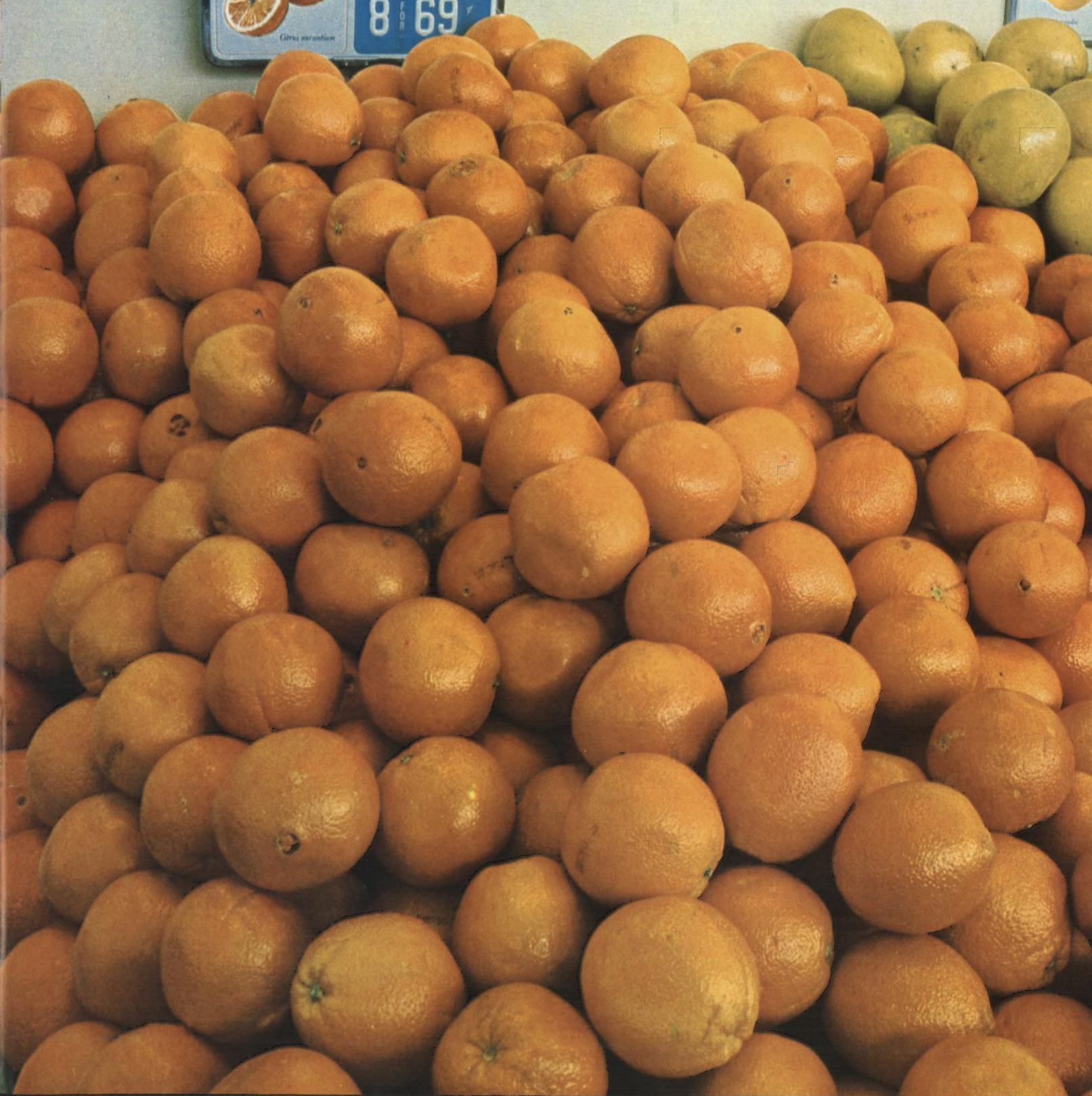
mini-pricing

feeds your family better for less!

maxi 55

fea

Grapes

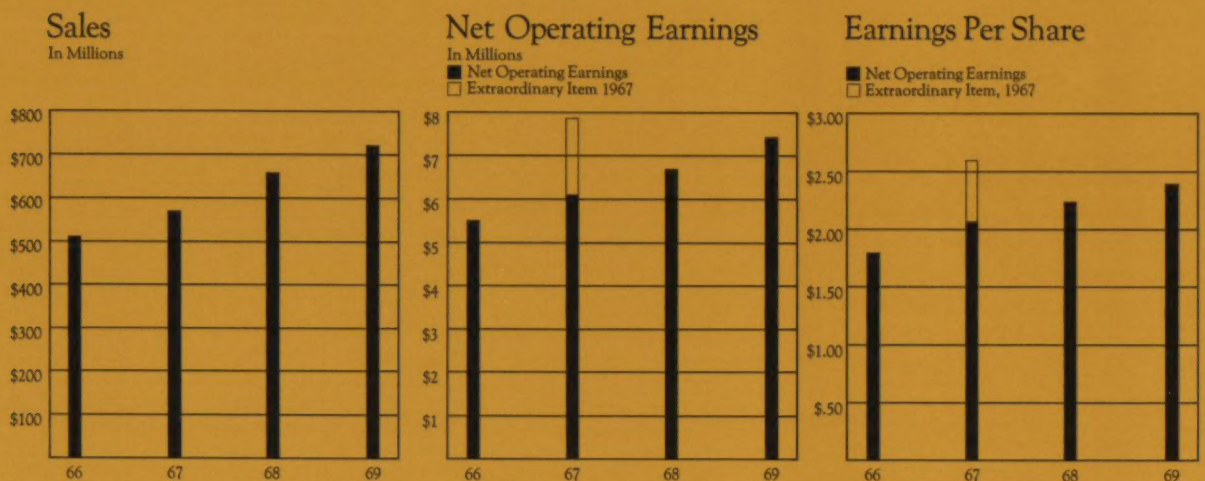




sports

Comparative Highlights	52 Weeks Ended January 31, 1970	53 Weeks Ended February 1, 1969
Sales	\$720,477,623	\$654,822,234
Earnings:		
Before taxes on income	14,122,910	11,810,965
After taxes on income	7,445,250	6,735,813
Reinvested in the business	4,691,340	4,001,349
% of net operating earnings to sales	1.03%	1.03%
Per share of common stock based on average number of shares outstanding during the year	2.40	2.22
Cash dividends paid	2,753,910	2,734,464
Cash dividends per share of common stock	.90	.90
Current assets	87,262,701	67,700,152
Current liabilities	54,294,188	35,224,372
Working capital	32,968,513	32,475,780
Current ratio	1.61	1.92
Shareholders' equity	59,251,030	53,040,214
Stop & Shop Supermarkets in operation at year end	139	138
Bradlees Department Stores in operation at year end	50	52
Medi Mart Drug Stores in operation at year end	6	3
Perkins Tobacco Shops acquired during the year	21	—

Four Year Record*



*Includes period subsequent to change in Fiscal Year.

Year ends Saturday nearest to January 31.

1968 is 53 weeks.

**LOOK-ALIVE
LOOK:** ceiling-
hung decor with
turned on look
squares off over
sports section.
Giant panels,
a Bradlees
"first,"** can be
moved in seconds
as seasons
change or store
expansion dic-
tates. Cost?
About one quar-
ter the old way
of decorating.
(**patent applied for)

Letter To Shareholders

During the year ended January 31, 1970, The Stop & Shop Companies recorded their best sales, pretax profits and net operating profits in the corporation's 54 year history. Sales rose some 10 per cent, from \$654,822,000 to \$720,478,000; and pretax profits were up some 19.57 per cent from \$11,811,000 to \$14,123,000. Net operating profits rose 10.53 per cent to \$7,445,000, the highest ever, despite an increase of 4.3 per cent in the effective Federal tax rate to 47.3 per cent from 43 per cent in 1968.

Sales and earnings include the operations of The Charles B. Perkins Company for the entire year 1969 only. This acquisition was consummated on January 19, 1970 and was accounted for as a pooling of interests. The 1968 year has not been adjusted due to its insignificance.

	1969	1968 (53 Weeks)
Net Sales:		
Stop & Shop Supermarkets:	\$553,046,000	\$515,575,000
Bradlees and all other retail stores, exclusive of licensees' sales:	167,432,000	139,247,000
Total	\$720,478,000	\$654,822,000

Pretax profits were 1.96 per cent of sales, up from 1968's 1.80 per cent. Earnings per common share rose to \$2.40 from \$2.22 in 1968, computed on weighted average number of shares outstanding each year.

The Bradlees Department Store Division of The Stop & Shop Companies made a significant improvement over the preceding fiscal year in both sales and earnings. Improvement has continued during the first months of the current fiscal year.

The Companies' principal grocery distribution center at Readville, Massachusetts was destroyed by fire on August 5, 1969. The corporation has insurance providing property and business interruption coverage against this loss. Earnings reported above reflect management's estimate as to amounts of business interruption loss through January 31, 1970 for which claims have been submitted to the insurance companies. (See footnote 5 to the financial statements.)

In spite of the sudden new priorities placed upon us following the serious mid-year fire, our efforts to increase penetration into related northeastern U. S. markets continued on schedule.

During 1969 we grew in several ways: New stores were opened or remodeled at the rate of more than two per month. We opened four new Stop & Shop supermarkets; remodeled 11; opened one new Bradlees,

remodeled seven; and opened three new Medi Mart drug stores. Concentration continues on the greater New York-New Jersey-Connecticut area, although major remodeling was finished on a New Hampshire Bradlees and plans were announced for three new Cape Cod supermarkets.

Since the end of the fiscal year and through July of this year we expect to have opened new supermarkets in Woodbridge, Hillsdale, East Brunswick and Neptune City, N.J.; Darien and Enfield, Connecticut; Nashua, N. H.; Milford, So. Yarmouth, and Chatham, Mass., and Pawtucket, R. I. New drug stores are anticipated during this same time in Hillsdale, East Brunswick, and West Caldwell, N.J.; Darien and Westport, Conn.; and a new Bradlees in Enfield.

To insure the steady flow of goods to our growing supermarket network following the Readville fire, we accelerated completion of our 350,000 square foot North Haven, Connecticut distribution warehouse, and were able to attain partial use by mid-Autumn of 1969. The new facility, featuring an advanced computerized conveyor system, was completed in March of this year, and will supply all food stores with dry groceries until reconstruction of our Readville facility — on its original foundation — is completed next year.

Ground was broken in Marlboro, Massachusetts for our new central meat processing plant during the fall of 1969. The \$10 million facility will be the most technically sophisticated in the country when completed early in 1971.

We took two significant steps in 1969 which symbolize our interest in new markets: the acquisition at year's end of *The Charles B. Perkins Company*, a 21 unit tobacco and sundries firm operating in eastern New England; and the intention to market toys and leisure time products in our new "Funstop" Division.

We strengthened our senior management base with the promotions during the year of Albert S. Frager to Corporate Financial Vice President, chief financial officer and Board member; Ralph J. Lordi to Divisional Vice President, Grocery Sales; H. S. Hatch to Divisional Vice President, Medi Mart Drug Division; Louis Steinberg, Divisional Vice President, Design, Advertising and Sales Promotion; Sidney L. Goldstein, to Divisional Vice President, Connecticut Food Division.

Anast W. Giokas, formerly Divisional Vice President, Advertising and Sales Promotion, has been named General Manager of our Funstop Division, announced at year's end. During the year Norman C. Peterson joined



1. Sidney R. Rabb
Chairman of the Board

2. Irving W. Rabb
Vice Chairman of the Board

3. Donald A. Gannon
President

us as Corporate Controller for the Company; George Marshall, as Director of Manufacturing Operations; and Richard H. Silverman, as Director of Physical Distribution.

We broadened the scope of our manpower development effort. To insure a continuing manpower force to meet the mushrooming challenges of expansion, the development effort was restructured to include all-Company courses or schools on effective communications, effective management, leadership, computer basics, human rights sensitivity; company subsidized courses at the Hickox Secretarial School, Victor Comptometer School, M.I.T. Sloan School of Management, Florist Design School and the Dale Carnegie Institute; Cornell and Quaker Oats Company home study programs, and specific university extension classes.

In addition the Food, Bradlees and Medi Mart divisions conducted diverse courses for specific management responsibilities, from the broad nine month Reserve Store Managers program to courses on Meat Cutting, Cash Handling, Buying, Operations, Camera Merchandising, Accounting and others.

During the year, work was completed on a broad new program of *Group Medical and Hospitalization Insurance*, and President Gannon announced the new plan to employees in mid-February of this year.

Community good will and social responsibility are far more than token obligations in a diverse retailing company, where community contacts are so vital and on-going. Our charitable contributions in the major communities in which we operate continued, and we now include some 10 separate scholarships in a comprehensive program, including a unique Stop & Shop Black Scholarship program, introduced during the year at two major Boston universities.

Our involvement in the federal government's MA-3 program, which provides on-the-job training for the economically disadvantaged, was expanded during the year to provide some 100 job opportunities in warehousing, manufacturing, store operations, and other areas of company operations.

High school and college recruiting have been stepped up. The Company expects that during 1970 more college graduates will be hired than during the past 3 years combined.

We began a broad consumer education program in 1969 to show specifically how the consumer can, through imaginative substitution, provide continuing full nutrition within a reasonable food budget. Our on-going Consumer Boards of Directors – selected,

articulate consumers giving Company senior management the consumer's opinions and constructive criticisms – provided valuable insights for Food Division management.

The Company's unique and highly commended *Consumer's Day*, in late November, gathered 400 consumer experts and civic and community group leaders together for a full day of panels, films, and demonstrations. And internal quality control programs conducted by the Stop & Shop Bureau of Standards were augmented by Bradlees' increased utilization of an outside testing laboratory, to insure quality consistency in a growing number of soft line and hard line goods.

During the year we franchised our registered service mark, Mini-pricing[®], to Kohl's Food Stores, Milwaukee, and this Spring to Super Valu Stores based in Hopkins, Minn. Others are expected, geographically distant from our trading area.

In sum, 1969 was a varied, vital year for The Stop & Shop Companies. The balanced strong performance on all fronts gives us confidence as we look forward to a new year of intense competition.

Indeed competition, higher costs for labor, equipment, and continuing tight margins will make this year our most challenging in several decades.

We have already taken steps in anticipation of these challenges:

- Greater cost scrutiny, as more and more computer time and senior management attention are devoted to intensive cost analysis in all Divisions.
- Greater cost efficiencies within the warehousing and transportation functions as our new North Haven automated warehouse facilities are moved "on stream".

And during 1970 we expect to introduce even more consistency in new store design, to realize efficiencies in construction, operating and maintenance costs.

We anticipate a year of store and market area expansion, the continued development of our maturing Medi Mart Drug Division, the efficient integration of our expanding Perkins Company, and the challenges of launching our new toy and leisure products venture. To finance these and other facets of our comprehensive growth effort, we have arranged to refinance our existing straight debt loan of \$26.1 million for a new amount of \$44.8 million. The additional \$18.7 million will be received early in 1971.

It will be an exciting year, and an exciting decade.

Sidney R. Kobl

Chairman of the Board

Donald O. Gannon

President



The major growth of The Stop & Shop Companies' retailing effort in 1969 was the network of modern supermarkets keyed to population centers within New England, New York and New Jersey. Vice President Robert H. Kroeger outlines why this will remain so for many years to come, in summing up the year:

"Our four new and 11 remodeled stores opened during the year averaged 20,500 square feet in selling space. That's considerably better than the industry average – and it's vital to growth and success in a business as competitive as ours.

"We averaged over \$3.9 million in sales per store last year – over twice the industry average – in stores which we'll still be calling "new" years from now. That, too, is a good position to be in."

Years from now 1969's strongest memory for Bob Kroeger will be that of a serious mid-year fire which completely levelled the Division's dry grocery distribution center at Readville, Massachusetts. With extraordinary effort from employees and suppliers, shelves remained stocked and stores remained open.

"Fortunately we had drawn up a catastrophe plan several years before, and we put it into action at once. We were amazed at the solidarity and spirit shown by hundreds of people – our own employees, even some of our toughest competitors."

The Division's new and highly automated North Haven, Connecticut distribution center, under construction at the time of the fire, was completed in March of 1970; and work is well underway toward reconstruction of the Readville facility on the original foundations.

During the year the Division updated its Inventory Management Program and Control Techniques program (IMPACT), one of the first significant steps taken within the industry toward realizing greater efficiencies in the distribution functions necessary to stock stores with 6,000 to 8,000 separate items.

"IMPACT is a computerized method of inventory control which we began in 1965 and have been refining since 1967.

"To date, IMPACT has been used to compute available stock on hand within our warehouses, at week's end; and, from updated sales figures, to determine most efficient warehouse restocking schedules."

Advantages to the new system: "First," says Kroeger, "Our food buyers have the freedom to concentrate on the acquisition of new food items rather than restocking old.

"Second, it allows us such a full variety of items within each store, that until the

mid-year fire we enjoyed the highest level of customer service in the country – over 99 per cent. This means out of every hundred items our 1,300,000 customers look for in our stores, only one, on the average, will be out of stock.

"The goal we're moving toward is to determine which products should be sold within limited total space within each store; how much shelf space should be allotted to each of these products; where products should be most efficiently located; and to what extent different product lines should be advertised."

(The Division was moving well into final test stages on a major project to realize this goal, with COSMOS (Computer Optimization and Simulation Modeling for Operating Supermarkets), an automated system tailoring the right product mix for each store's trading area, when the August fire interrupted research on the project.)

In other developments, some 39 members of the Division successfully completed the accelerated Reserve Store Managers program during the year – basic to staffing a growing store network with the best talent available. Eighteen were promoted to store manager rank, of a total of 21 promoted within the Division. During the year some 74 Food Division members enrolled in the growing RSM program.

Contracts were signed during the year with the major unions representing our store and other distribution personnel.

And the Division's Consumer Boards of Directors in Boston and New Jersey are growing in both enthusiasm and influence. These sharp-eyed shoppers gather periodically with Division management to present the consumers' viewpoints – as influenced by different ethnic backgrounds, family income, family sizes, occupations, and geographic areas.

"It's more than talk, more than coffee and compliments," reports Kroeger. "They want to be heard. They want telephones to talk to the meat managers. They want spic and span stores. They want more variety of different foods. They want recipes printed on labels . . . more convenience items . . . in-store delicatessens . . . flower shops. They want help and convenience in shopping, and that's exactly what we want, too. The problem in some cases had been lack of good, solid, two-way communications. That's the value of the Consumer Boards."

Ideas like the Consumer Boards, plus adaptation of computer technology and the bright new look of the "Stores of Tomorrow" promise continued Food Division growth ahead.



1. Robert H. Kroeger was named Vice President for the Company's New England Food Division in 1968. He came to the Company in 1952 and served successively as Chief Budget Officer and Controller; Vice President, Special Activities; and Vice President for the Company's Connecticut Food Division, prior to his present assignment. He is a graduate of the University of Cincinnati.

2. Key executives meet periodically to meet complex challenges of supply, sales promotion, personnel and ongoing expansion for 140-store network. (L-r) Personnel Director Robert E. Bidwell, Vice President Spyros A. Gavris, Food Division Controller William B. Moore, Vice President Kroeger, Connecticut Division Vice President Sidney L. Goldstein, Store Operations Vice President Donald W. Stowbridge, and Charles R. Carroll, Jr., Vice President, New York-New Jersey, Food Division, which accounts for three-fourths of total Company sales, plans 15 new and 15 remodeled stores during 1970.



Bradlees is growing. For 1969, a new store in Woodbridge, New Jersey; major remodelings in New Hampshire, New York, Connecticut, and Massachusetts; average new store size up to 80,000 square feet. Total stores at year's end: 50. Total sales increase: an impressive 15 per cent over 1968.

That's impressive acceleration, measured against a 1962 foundation of seven stores and a \$20 million sales volume. But it's taken more than capital to make this Stop & Shop company a growing northeast retailing force. It has taken careful long-range planning, nurtured by analytical study of the industry's changing markets. Some of those changes are reflected in Bradlees President Robert J. Futoran's year end report:

"This past year we developed a more selective total marketing approach, which should improve our share of markets in our major trading areas. We're moving away from standardized chain-wide promotion efforts to a system of carefully tailored newspaper and direct mail advertising. This will be based on the income levels, occupations, and other unique characteristics of the mass markets in different areas."

The Quality Control effort was considerably strengthened during the year, as the Division focused attention on broadening and deepening existing soft line and hard line merchandise. Futoran reports that "The average median income of our customers will rise to \$10,000-\$15,000 in the 1970's. We're preparing for this with higher quality lines in all merchandise."

To insure consistent top quality, during the year Bradlees expanded use of an independent Boston based testing laboratory. Soft goods are checked for size, wearing qualities, workmanship, construction. Hardware and household items - paints, batteries, ironing board covers - are rigorously screened. Bradlees is an industry leader in tough quality standards of this kind, and wants to protect the meaning of the Bradlees label - that the product is at least equal to its best selling counterparts, with a significant price advantage. "Ultimately," reports Futoran, "we will carry only major name brand goods and those with our own Bradlees label. The same standards will apply to all soft and hard line goods."

Expansion and modernization continued on schedule during 1969, as the Division maintained a growth pace of six new or remodeled stores per year. Three older, less efficient stores were closed. Remodelings are actually major renovations, resulting in an additional 20,000 to 30,000 square feet of selling space and expenditures per store ranging up to \$1 million. Future costs will be reduced as more stores utilize newly standardized decor and design themes.

In a major 1969 development, the key

Inventory Management and Control function was realigned more closely with senior Division management, and the unit was given broader more comprehensive responsibilities.

Result: more direct top management attention to the chainwide coordination of all hard and soft line buying, merchandising and distribution. *Raymond Doyle* was named General Merchandise Controller in charge of this new function.

In other major management changes, *Arnold Blenner* was promoted to Metro Regional Manager, and Vice President and General Merchandise Manager *Robert J. Pliner* assumed the additional duties of Sales Promotion Manager. During the year the Company's broad middle-management group was purposely delegated more autonomous control, and senior management structure was realigned and consolidated. The accounting staff transferred from corporate headquarters to Bradlees Braintree headquarters in July.

Bradlees intensified training efforts during the year to add support to the expansion effort. Within each of the Company's three field regions - newly restructured to include northern New England, Southern New England and New York-New Jersey - training for the past several years has brought the level of Company-trained merchandising and supervisory personnel to some 85 per cent of the total.

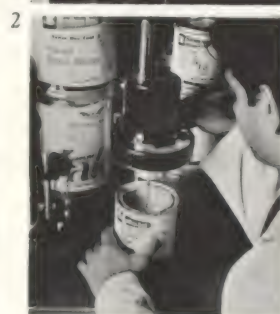
Futoran feels fashion will dictate the direction taken by Bradlees during the coming decades. "Fashion today is more than tomorrow's trend; it's a way of life. And like a youngster's appetite it just won't be satisfied. Today's shopper is sharp and sophisticated; she wants fashion in everything."

A way of life - retailing life. Fashion permeates every corner of a typical new Bradlees . . . influences all markets, not just traditional softlines. "Our customers," Futoran explains, "segregate into many groups - by income level, neighborhood differences, age, sex, etc. - but the single magnetic force that attracts them is fashion."

To strengthen Bradlees' hold on this market, new and remodeled units vibrate with splashes of color and the bold lettering of a turned-on decor . . . vivid lip prints over the cosmetic department . . . a rock 'n roller over the records section . . . and other themes, done in huge styrofoam panels* that change with the seasons - or the latest instant fashion trend.

Stores abound with long purple scarfs . . . maxi's, midi's and mini's . . . colored cookware, coordinated bathroom sets. That's fashion at Bradlees. And with an accelerating growth program - 6 new or remodeled stores all scheduled for the next 18 months - this Stop & Shop Company will have more and more to say about quality, price and fashion leadership in the markets of the seventies.

*patent applied for



1. Robert J. Futoran, joined Bradlees in January of 1969 as President of the 50-unit Division. A Princeton graduate, he served as Vice President and General Manager of the Associated Merchandising Corporation, New York prior to becoming President of Frederick Atkins Inc., a New York merchandising and research organization, in October 1967.

2. Viscometer insures that latest line of Bradlees paints are resistant to running and thinning, and measure up well in thixotropic qualities like resistance to dripping, sagging, and levelling, before marketing. Hundreds of hard line and soft line items are given similar stringent tests before sale.



A supermarket is more than a weekly ritual of clogged aisles and tired feet, lines too long and kids too loud and endless walks for soup and soap.

Some lively imaginations in Marketing Services – responsible for advertising, sales promotion, private label packaging, food, department and drug store decor and design – thought a trip to market, or department store could be a light, bright upbeat experience.

Five years ago Marketing Services Vice President Carol R. Goldberg sat down with Louis Steinberg, now Vice President for Advertising, Design, and Sales Promotion, and an outside professional design consultant – and from many ideas came a collective vision of what the mundane world of today's busy stores could be like.

The project had a purpose: studies had shown that long rows, vast spaces and the cold impersonality of most big stores worked to turn off the housewife's buying mood: to foster just a little impatience – and shorten the stay.

Marketing Services' proposal: experiments with color, signs, lights, new flooring, walls, ceiling decor; and gradually a concept for both supermarkets and Bradlees stores of "shops within a shop" to orient the housewife to small, intimate areas of related items in separate visual corners of the store.

Evolution toward today's sparkling new food, mercantile, and drug interiors followed, as "blue sky" ideas found their way from concept to drawing board and ultimately, after marriage with the practicalities of costs and engineering, to reality. "Funstop" toy units will start to add the latest design dimensions this coming fall.

Marketing Services influences other areas as well. Reports Mrs. Goldberg: "This division covers everything from our planned meat label recipe program with Gourmet Magazine, to establishing standard architectural store styles; from designing new canned food labels to new lighting fixtures on our latest Bradlees; from Vice President Art Giokas' direction of franchising our mini-pricing® concept, to massive seasonal advertising campaigns."

Advertising's new directions focus on

the vivid color of special rotogravure magazine inserts for newspapers, or for direct mailing to homes. Accent is on quality goods in quality settings. "Rotos" complement newspapers, radio, a growing TV effort, and effective in-store promotions for a varied approach in reaching the consumer at reasonable cost.

Packaging design involves the deliberate effort to harmonize design on a growing list of private brand products with the "turned on" decor of our latest stores in all divisions. "But it's not color for color's sake," she avers. "What we want is simple: to depict visually the quality the item actually possesses. Our products are equal to their national competition – and must dress the part accordingly."

New interiors, whether contemporary or colonial or Mediterranean, have equally basic aims: "warmth, color, good taste, ease in shopping from orientation to similar product groupings, reduction of fatigue. Customers tell us – and sales tell us – we must be doing something right."

Marketing Services influences each and every aspect of The Stop & Shop Companies' public face. Late in 1969 Mrs. Goldberg was directed to alter the basic symbolism the Company had been using for the past six years, to project the meaning of today's Stop & Shop Companies more accurately to the public. The first step of the division's comprehensive corporate identity program is illustrated on the cover of this report.

"A total approach to marketing," she stresses, "involves the efforts of hundreds of people. We form the basic ideas and themes – and from there our sales departments draw up merchandising plans; our outside ad agency works with us to complement the programs; our package designers and store decorators pick up the mood we're describing; our construction people give us the engineering facts of life about our more esoteric ideas . . . and finally our in-store people carry through the lively moods we create, with courtesy, clean stores, low prices – a total effort."

This is today's role of Marketing Services. The seventies will show more and more visible adaptations of the moods of innovation.



Carol R. Goldberg, a 1953 magna cum laude of Jackson College, joined the Company in 1958; served successively as Consumer Relations Supervisor, Publicity Supervisor, Director of Advertising-Sales Promotion, and in 1963 was named Vice President, Marketing Services. She was elected Boston Ad Woman of the Year in 1967; and this past year graduated from the Harvard Graduate School of Business Advanced Management Program.



"This was the year of successful experimentation." So 1969 is summed up by Medi Mart Division Vice President H. Sumner Hatch. In measuring a year that saw new 17,000 square foot "super drug" stores open in Short Hills and Wyckoff, New Jersey, and Willimantic, Connecticut, "Zeke" Hatch stresses new product lines as the key to increasing profitability for the two year old Division.

This was the year that Medi Mart moved aggressively into products which drug stores in the northeast hadn't carried in years gone by – TV, home appliances, power mowers and snow blowers, for instance. "This broad mix of products plus our own Medi Mart line of normal drug items gives more convenience for our customers and more profit areas for us."

The Medi Mart label appears on aspirin, vitamins, shampoo, mouthwash, toothpaste, epsom salts and related items. Prescriptions remain at the heart of the Division's marketing efforts. Hatch feels that "Our prescription departments are the focal point of our drug stores. They've achieved phenomenal growth through complete stocks of pharmaceutical drugs and aggressive pricing policies."

Hatch reports that sales "have exceeded our expectations by a considerable margin, and more than vindicate our original decision to enter the field. We're bringing to the retail drug business the same mass merchandising we've used for years within our Food and Bradlees Divisions – and we're also borrowing the very basic concepts of the supermarket – many items under one roof, at lowest cost, for convenience shopping. The consumer has indicated this is what she wants."

Hatch points out the average drug store, at year end 1969, averaged some \$193,000 in sales; the average chain drug store, \$628,000; and the average mature Medi Mart, well above that. Why? "The concept of the new super drug store is a new one in the Northeast – people are attracted by newness. And we set our prices right from the start, at highly competitive levels – especially within the Health and Beauty Aids section. With a broad range of products in stores averaging more than twice the size of other chain drug stores, we're able to achieve a better product mix in each store."

Medi Mart's executive organization structure was completed during the year; extensive recruiting on all levels and promotion

from within and from other areas of the Company have filled out a management team of professionals in merchandising, operations, finance and personnel to augment the in-store crew of licensed professional pharmacists and management personnel.

Specifically, *Ralph Leonard*, formerly Operations Manager, was appointed Merchandise Manager; *Seymour Silverstein* was appointed Operations Manager; the first District Manager was named in Connecticut as *Richard Moed* was promoted from Store Manager; *Isaac Sobel*, was transferred from corporate training to Medi Mart to concentrate on developing training programs for both clerical and management personnel; and *Lee Nathanson*, formerly Corporate Budget Director, was appointed Division Controller.

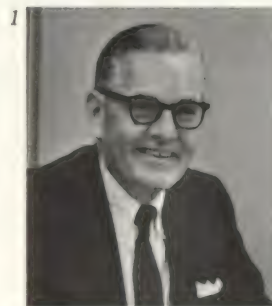
The group has challenges ahead: to control and direct the orderly growth of a Division barely two years old, with sights on double its present volume within a short time.

To illustrate, Hatch points to an active year ahead: "We've scheduled nine new units for 1970 – one has opened in Darien, Connecticut, and we're planning additional Connecticut openings in Westport, Thompsonville and Branford. In New Jersey we expect to open stores in Hillsdale, East Brunswick, West Caldwell, Neptune City and Wayne during the year." He adds that "We've applied for two pharmacy licenses in Massachusetts."

As Medi Mart grows, stress on efficient distribution grows. One of the industry's most sophisticated EDP merchandise control systems keeps track of opening and closing inventories, sales and gross profit performance of over 30,000 items within some 47 merchandising categories in each store.

The year just past was one of acceleration – moving with imagination away from the traditional drug store concept. As the Division grows, Medi Mart will gain more and more prominence as tomorrow's kind of drug store. Convalescent Aids . . . a full line of prescription products and proprietary drugs . . . cosmetics . . . greeting cards . . . TV's . . . toys . . . housewares and hardwares – all priced to compete in a market that, reports Hatch, is growing substantially faster than that of retailing industry as a whole.

Medi Mart is solidly based in this exciting industry – with flair, and with success.



1. H. Sumner Hatch, Vice President, Medi Mart Drug Division, came to Stop & Shop in late 1967 as Director of New Developments. He was named General Manager, Medi Mart Drug Division early in 1968 and Vice President in mid-1969. Prior to joining the company, he had served for 11 years in various executive capacities with the Kroger Company; and prior to that was associated for nine years with the Rexall Drug Company in Los Angeles. He is a graduate of U.C.L.A. and the Harvard Graduate School of Business Administration.
2. Medi Mart—a little bit of everything

Consolidated Ten-Year Financial Summary

Fiscal Year Ended	1/31/70	2/1/69†
Sales	\$720,477,623	654,822,234
Earnings:		
Pretax operating earnings	\$ 14,122,910	11,810,965
Net operating earnings	\$ 7,445,250	6,735,813
Extraordinary item, net of applicable income taxes	—	—
Total net earnings	\$ 7,445,250	6,735,813
Reinvested in the business	\$ 4,691,340	4,001,349
% of operating earnings to sales	1.03%	1.03%
Per share of common stock based on average number of shares outstanding during the year:		
Net operating earnings	\$ 2.40	2.22
Total net earnings	\$ 2.40	2.22
Cash Dividends Paid	\$ 2,753,910	2,734,464
Cash dividends per share of common stock	\$.90	.90
Stock distributions	—	—
Current assets	\$ 87,262,701	67,700,152
Current liabilities	\$ 54,294,188	35,224,372
Working capital	\$ 32,968,513	32,475,780
Current ratio	1.61	1.92
Total assets	\$188,304,641	158,431,540
Retained earnings	\$ 41,877,291	36,824,902
Shareholders' equity	\$ 59,251,030	53,040,214
Number of shares outstanding less shares held in treasury at end of each fiscal year	3,129,198	3,047,512
Stop & Shop Supermarkets:		
Opened and acquired	4	9
Closed	3	5
In operation at year end	139	138
Bradlees Department Stores:		
Opened and acquired	1	6
Closed	3	—
In operation at year end	50	52
Medi-Mart Drug Stores:		
Opened	3	—
In operation at year end	6	3
Perkins Tobacco Shops:		
Acquired during year	21	—

*In July 1966, the fiscal year end of the Company was changed to the Saturday nearest January 31 from the Saturday nearest June 30.

**Includes \$0.59 extraordinary item.

†53 Weeks

1/27/68	1/28/67*	7/2/66	7/3/65†	6/27/64	6/29/63	6/30/62	7/1/61
566,361,363	507,506,165	469,850,327	423,172,518	391,417,860	337,684,888	306,305,759	295,373,211
9,644,775	8,243,452	5,788,519	8,867,361	8,177,453	6,772,327	6,791,391	8,293,951
6,112,722	5,456,229	3,463,367	5,254,054	4,907,277	4,034,883	3,887,383	4,645,088
1,773,243	—	—	—	—	—	—	—
7,885,965	5,456,229	3,463,367	5,254,054	4,907,277	4,034,883	3,887,383	4,645,088
5,390,852	3,036,738	1,180,404	3,579,384	3,733,802	2,895,527	2,785,433	3,667,091
1.08%	1.08%	.74%	1.24%	1.25%	1.19%	1.27%	1.57%
2.02	1.80	1.14	1.72	1.61	1.33	1.28	1.58
**2.61	1.80	1.14	1.72	1.61	1.33	1.28	1.58
2,495,113	2,419,491	2,282,963	1,674,670	1,173,475	1,139,356	1,101,950	977,997
.82½	.80	.75	.55	.40	.40	.40	.40
—	—	—	3%	3%	3%	3%	25%
52,830,423	50,777,515	46,299,775	41,296,545	34,976,085	31,745,162	31,196,878	27,271,444
28,114,268	28,732,857	24,900,306	23,487,623	19,383,393	17,864,400	16,239,347	14,331,605
24,716,155	22,044,658	21,399,469	17,808,922	15,592,692	13,880,762	14,957,531	12,939,839
1.88	1.77	1.86	1.76	1.80	1.78	1.92	1.90
133,028,205	124,991,817	120,745,085	112,824,425	105,395,004	101,944,837	97,260,036	84,042,308
32,823,553	27,432,701	24,973,070	23,792,666	21,830,996	19,791,075	18,739,405	19,413,216
48,658,948	43,254,148	40,794,517	40,452,686	36,801,498	33,106,337	30,180,731	27,265,458
3,025,229	3,024,364	3,024,364	3,069,564	2,955,336	2,870,502	2,783,367	2,691,293
8	5	4	2	4	14	18	21
9	10	6	4	4	9	11	7
134	135	139	141	143	143	138	131
7	5	7	7	6	7	4	6
—	2	1	—	—	—	—	—
46	39	36	30	23	17	10	6
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—

Assets	January 31, 1970	February 1, 1969
<u>Current assets:</u>		
Cash	\$ 5,376,299	\$ 3,596,240
Marketable securities at cost approximating market	200,000	5,531,101
Accounts receivable	4,061,584	5,262,900
Insurance claims for fire loss, inventory and business interruption (Note 5)	15,344,758	—
Receivable from mortgagees for construction costs covered by executed mortgage agreements and from real estate affiliates	1,802,007	459,158
Inventories, at the lower of cost or market	58,624,461	51,469,271
Prepaid expenses	1,853,592	1,381,482
Total current assets	<u>87,262,701</u>	<u>67,700,152</u>
<u>Fixed assets, at cost (Note 10):</u>		
Land, buildings and improvements	73,506,240	67,796,710
Buildings and improvements on leased land	6,198,197	5,307,391
Fixtures, machinery and equipment	56,585,365	50,401,419
	<u>136,289,802</u>	<u>123,505,520</u>
Less accumulated depreciation and amortization	47,727,369	42,381,056
	<u>88,562,433</u>	<u>81,124,464</u>
Leasehold improvements, at cost less accumulated amortization	7,752,368	7,752,963
Net fixed assets	<u>96,314,801</u>	<u>88,877,427</u>
<u>Book value of fixed assets affected by fire (Note 5)</u>	2,725,110	—
<u>Other assets:</u>		
Notes receivable, etc. at cost	1,322,927	1,156,672
Deferred charges	679,102	697,289
Total other assets	<u>2,002,029</u>	<u>1,853,961</u>
	<u>\$188,304,641</u>	<u>\$158,431,540</u>

See accompanying notes to financial statements

Liabilities and Stockholders' Equity	January 31, 1970	February 1, 1969
Current liabilities:		
Current portion of long-term debt	\$ 3,796,434	\$ 3,532,177
Accounts payable	40,904,288	26,868,631
Accrued expenses	6,989,764	4,823,564
Federal income taxes (1969 is net of \$968,899 – U.S. securities designated as Tax Anticipation Bills)	2,603,702	—
Total current liabilities	54,294,188	35,224,372
Notes payable, temporary borrowings due 1971	4,000,000	—
Deferred federal income taxes	4,798,884	4,302,576
Due prior licensee for assets acquired	563,330	838,765
Long-term debt (Note 3):		
Mortgage notes payable	39,297,209	38,925,613
Other notes payable	26,100,000	26,100,000
Total long-term debt	65,397,209	65,025,613
Stockholders' equity:		
Preferred stock. Authorized 500,000 shares. None issued or outstanding.	—	—
Common stock of \$1 par value per share. Authorized 7,500,000 shares. Issued 3,189,497 shares (1969, 3,124,811 shares) (Note 4)	3,189,497	3,124,811
Capital in excess of par value of capital stock (Note 7)	15,491,226	14,703,485
Retained earnings, exclusive of amounts capitalized through stock dividends (Note 3)	41,877,291	36,824,902
	60,558,014	54,653,198
Less cost of 60,299 shares in Treasury (1969, 77,299)	1,306,984	1,612,984
Total stockholders' equity	59,251,030	53,040,214
	\$188,304,641	\$158,431,540

Consolidated Statements of Earnings and Retained Earnings

	52 Weeks Ended January 31, 1970	53 Weeks Ended February 1, 1969
Retail sales	\$720,477,623	\$654,822,234
Cost and expenses (Note 5):		
Cost of goods sold, buying and warehousing costs	570,819,006	522,182,406
Selling, store operating and administrative expenses	122,610,452	109,661,817
Depreciation and amortization (Note 10)	8,930,662	7,928,146
Interest on mortgages	2,372,649	2,084,065
Other interest (net)	1,621,944	1,154,835
	<u>706,354,713</u>	<u>643,011,269</u>
Earnings before federal income taxes	14,122,910	11,810,965
Federal income taxes (Note 2)	6,677,660	5,075,152
Net earnings	7,445,250	6,735,813
Retained earnings at beginning of year	36,824,902	32,823,553
Amount arising from pooling of interests (Note 1)	361,049	—
	<u>44,631,201</u>	<u>39,559,366</u>
Less cash dividends paid	2,753,910	2,734,464
Retained earnings at end of year	<u>\$ 41,877,291</u>	<u>\$ 36,824,902</u>
Earnings per share of common stock based on average number of shares outstanding during the year (Note 5)	<u>\$ 2.40</u>	<u>\$ 2.22</u>
Cash dividends per share of common stock	<u>\$.90</u>	<u>\$.90</u>

Accountants' Report

PEAT, MARWICK, MITCHELL & CO.
 CERTIFIED PUBLIC ACCOUNTANTS
 2000 TOWER BUILDING
 PRUDENTIAL CENTER
 BOSTON, MASSACHUSETTS 02199

The Board of Directors and Stockholders, Stop & Shop, Inc.:

We have examined the consolidated balance sheet of Stop & Shop, Inc. and subsidiaries as of January 31, 1970 and the related statement of earnings and retained earnings and summary of source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the ultimate realization of the insurance claims for fire loss as described in Note 5 to the financial statements, the accompanying consolidated balance sheet and consolidated statement of earnings and retained earnings present fairly the financial position of Stop & Shop, Inc. and subsidiaries at January 31, 1970 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, subject to the comment above with respect to the insurance claims, the accompanying summary of source and use of funds for the year ended January 31, 1970 presents fairly the information shown therein.

PEAT, MARWICK, MITCHELL & CO.

March 30, 1970

See accompanying notes to financial statements

Summary of Source and Use of Funds

	52 Weeks Ended January 31, 1970	53 Weeks Ended February 1, 1969
Funds provided:		
Net earnings	\$7,445,250	\$6,735,813
Less cash dividends paid	2,753,910	2,734,464
	4,691,340	4,001,349
Increase in deferred federal income taxes	496,308	693,567
Increase in long-term debt	371,596	12,379,633
Notes payable, temporary borrowings	4,000,000	—
Treasury stock transactions	510,000	—
Sale of capital stock	313,605	379,917
Net assets of Perkins acquired for stock (Note 1)	695,871	—
	<u>\$11,078,720</u>	<u>\$17,454,466</u>
Used as follows:		
Excess of expenditures for fixed assets over depreciation and amortization:		
Expenditures for fixed assets, net	\$19,093,146	\$18,250,617
Depreciation and amortization	8,930,662	7,928,146
	10,162,484	10,322,471
Increase in other assets	148,068	211,135
Due prior licensee for assets acquired	275,435	(838,765)
Addition to working capital	492,733	7,759,625
	<u>\$11,078,720</u>	<u>\$17,454,466</u>

Notes to Financial Statements

1. Principles of Consolidation

The consolidated financial statements include the accounts for the parent company and all subsidiaries.

The consolidated statement of earnings and retained earnings for 1969 includes the results for the full year of The Charles B. Perkins Company acquired for capital stock during the year as a pooling of interests. Because the earnings of this Company are not material when considered with the overall results of operations, prior year's figures have not been restated to reflect the pooling.

2. Federal Taxes charged to Income are as follows:

	52 Weeks Ended January 31, 1970	53 Weeks Ended February 1, 1969
Current	\$6,641,876	\$4,988,785
Investment Credit	(460,524)	(607,200)
Deferred	496,308	693,567
	<u>\$6,677,660</u>	<u>\$5,075,152</u>

3. Long-Term Debt

Mortgage notes, 4% to 9½%, maturing at annual rates of approximately \$3,000,000 through 1975, at \$1,500,000 from 1976 to 1990, and thereafter at smaller varying annual amounts through 1994.	\$39,297,209
Promissory note 5.6% maturing \$1,400,000 annually from 1970 to 1982 and the balance payable in 1983.	26,100,000
	<u>\$65,397,209</u>

The mortgage notes, although not signed by the Company or its subsidiaries are secured by land, buildings, and improvements costing approximately \$69,198,000 and by assignments of inter-company lease agreements.

Under the terms of the 5.6% Promissory Note, through 1983 working capital must be maintained at \$14,000,000 and certain restrictions with respect to payment of cash dividends or purchase or retirement of capital stock are in effect. As of January 31, 1970, approximately \$6,000,000 of retained earnings was not so restricted.

The Company has a commitment letter to refinance the existing \$26,100,000 of Other Notes Payable. All current payments are deferred until August 5, 1972 under the commitment letter.

4. Stock Options

Options under the Company's new Qualified Plan are granted at 100% of market value at date of grant and expire in five years. Generally, options are exercisable in four equal cumulative annual installments commencing 18 months after grant date.

At January 31, 1970 options to purchase 78,026 shares were outstanding (31,078 presently exercisable) at prices ranging from \$15.88 to \$34.13 per share.

Note 4 continues on next page.

Notes to Financial Statements (continued)

Outstanding options to purchase include 188 shares under the old Restricted Plan granted at 95% of market price on the grant date. Changes during the current year are summarized as follows:

	Number of Shares	
	Issuable Under Options Granted	Available for Option
Balance at beginning of year	88,059	31,050
Additional authorized	—	—
Exercised at prices ranging from \$15.88 to \$20.25 per share—total \$313,605 (Total market value on dates exercised — \$583,786)	(18,086)	—
Options granted	17,615	(17,615)
Cancellations and expirations	(9,562)	9,687
Balance at end of year	<u>78,026</u>	<u>23,122</u>

The number of shares under options at January 31, 1970 and related prices per share have been adjusted for stock dividends and stock splits.

5. Insurance Claims

On August 5, 1969 the Company's principal grocery distribution warehouse at Readville, Massachusetts, together with its related operating equipment and inventory contents was destroyed by fire. The Company has insurance providing property and business interruption coverage against this loss.

As of January 31, 1970 the Company has accrued major claims for loss of the inventory destroyed by the fire approximating the book value thereof and a business interruption claim for loss of related profits from the date of the fire through January 31, 1970 based upon management's estimate as to the amount of such loss. The amount of the inventory claim has been credited against the book inventory at the date of the fire; the business interruption claim, in the estimated amount of \$7,588,000, has been credited against costs and expenses. The amounts accrued are tentative and subject to adjustment.

The insurance claim for the loss of the building and related equipment is based on replacement cost. Pending the resolution and ultimate adjustment of such loss, the book value of such assets at the date of the fire is shown separately in the balance sheet as of January 31, 1970. Any significant difference between the book value of such assets and the amount of ultimate adjustment will eventually be shown, net of related taxes, as an extraordinary item in the Company's statement of earnings.

The terms of the various insurance policies relating to the loss at the Readville warehouse provide coverage aggregating up to \$30,000,000. The Company does not anticipate that its aggregate property damage and business interruption claims will reach that sum. Based upon the opinion of counsel, the Company believes that these policies provide coverage for the claims made by it.

6. Rental Commitments

At January 31, 1970 the total minimum annual rentals payable to outsiders by the Company and its subsidiaries under leases amount to approximately \$9,700,000 exclusive of real estate taxes, other expenses and additional rents based on percentage of sales. Of the minimum annual rental commitment approximately 64% related to leases expiring within fifteen years and approximately 97% to leases expiring within twenty years.

In 1968 the Company contracted with the City of Marlborough, Massachusetts for the lease of a meat processing and packaging plant to be constructed by the City from the proceeds of an issue of \$10,000,000 of Industrial Revenue Bonds. The lease expires in 1998 and annual rentals will approximate \$700,000. Stop & Shop has the right to terminate the lease prior to the expiration date and purchase the facility at a price determined principally by the amount required to enable the City to redeem the outstanding Bonds.

It is the intention of the Company when construction of the facility is completed to record the facility on its books as land and buildings and capitalize the related cost as long-term debt.

7. Capital in Excess of Par Value of Capital Stock

	January 31, 1970	February 1, 1969
Balance at beginning of year	\$14,703,485	\$14,345,851
Add:		
Excess over par value of proceeds from sale of capital stock to employees under stock option plans	295,519	357,634
Credit resulting from exchange of shares of Stop & Shop, Inc. for the capital stock of acquired company (Note 1)	288,222	—
Excess of market value over cost from treasury stock transactions	204,000	—
Balance at end of year	<u>\$15,491,226</u>	<u>\$14,703,485</u>

8. Retirement Plan

The Company's non-contributory retirement plan is available to all employees meeting age and minimum length of service requirements other than certain union employees covered by union-sponsored plans. The Company's policy is to fund retirement costs accrued, which in the current year amounted to approximately \$800,000. As of January 31, 1970 total plan assets were more than sufficient to cover all vested accrued benefit liabilities.

9. Wholly-Owned Realty Subsidiaries — Combined Balance Sheets

	January 31, 1970	February 1, 1969
Assets:		
Cash and receivables	\$ 1,276,546	\$ 486,333
Due from Stop & Shop, Inc.	4,060,349	9,113,236
Fixed assets at cost:		
Land, buildings and improvements	69,197,840	63,312,037
Less accumulated depreciation and amortization	18,132,489	17,233,783
	<u>51,065,351</u>	<u>46,078,254</u>
Book value of fixed assets affected by fire (Note 5)	2,023,282	—
Other assets	524,996	569,977
	<u>\$58,950,524</u>	<u>\$56,247,800</u>
Liabilities:		
Current installments of long-term debt	\$ 3,516,098	\$ 2,832,177
Accounts payable and accrued expenses	1,242,013	1,040,039
Deferred Federal income taxes	1,859,546	1,822,005
Long-term debt, less current installments above (Note 3)	39,297,209	38,925,613
Stop & Shop, Inc.'s equity:		
Capital stock	63,820	63,820
Retained earnings	12,971,838	11,564,146
	<u>\$58,950,524</u>	<u>\$56,247,800</u>

10. Depreciation and Amortization Policies

Depreciation of fixed assets is computed on the straight-line method at rates which are sufficient to amortize the costs over their estimated useful lives. Rates used are as follows:

Buildings on leased land	20 years
Buildings	33 1/3 to 40 years
Equipment and fixtures	3 to 15 years
Automotive equipment	4 years

Cost of leasehold improvements is amortized on the straight-line method over a period of 10 years, or the life of the lease, if shorter.

For Federal income tax purposes, accelerated methods of computing depreciation are used wherever applicable. Accordingly, provision has been made currently for deferred Federal income taxes.

A machine that turns out sixty fruit pies per minute . . . a magnetic conveyor to stack bread pan lids at 200 degrees Fahrenheit . . . automatic cartoning machines . . . a machine that cooks, cools, decorates, and wraps individual portions of cakes and donuts – these are just some of the 1969 processing innovations from the Company's growing Manufacturing Division.

"The over-all trend is towards convenience," reports Vice President of Manufacturing Arthur Norris, in summarizing a year that saw sales of privately manufactured or distributed products rise impressively. "New technological developments result from our awareness of what the consumer wants: improved quality, reduced cost, greater variety, and the availability of basic food items."

"Caterer's Kitchen," the Division's 7-year-old private label program, specializing in ready-to-eat entrees, snacks, and desserts, reflects the Company's growing consumer consciousness. In 1969 alone, two new product lines, each a Stop & Shop "first" – frozen entrees including chicken and beef pies, veal cacciatore, and Salisbury steak, and a series of "bake-at-home" products – were introduced. Catering to a varied market – single people, senior citizens, and busy housewives – the frozen food packages range in size from 12 ozs. to 2 lbs. No item costs over \$1.99.

Several products unique to Stop & Shop, such as its non-dairy creme pastry line, and its specially shaped toaster corn muffins,

account for a good share of the 21-year-old bakery's success, says Norris, but "turnover of different kinds of products is the major reason that people keep buying." The Causeway Street, Boston facility turns out over 160 separate items currently.

"During 1969, for instance, we produced 23 different kinds of rolls, and 35 varieties of bread; approximately 25 percent of our cake line was changed; and approximately 40 new food items were introduced."

New products scheduled for 1970 include bread crumbs, croutons, private label cookies, stuffing, additional varieties of muffins and donuts, and one-portion packaged snacks.

The Readville manufacturing facilities' production of American, Swiss, and Cheddar cheeses, salad dressings, and milk continued on schedule; three new gourmet cheeses – Samsøe, Jahrlsberg, and Fontina – were added to the cheese line during the year.

Norris attributes the Division's steady sales gains to a new, more youth-conscious marketing approach, especially in the area of fruit drinks (where sales have quadrupled since packaging was redesigned a year ago).

Other developments include plans for future construction of a second bakery, to service the New Jersey end of Stop & Shop's expanding distribution area more effectively, and the completion in 1971 of the Company's major new central meat processing plant, currently under construction at Marlboro, Massachusetts.



Vice President of Manufacturing Arthur Norris (center) indicates final alterations for the new meat processing plant, currently under construction at Marlboro, Massachusetts, to (l.-r.) Engineering and Construction Vice President Harold E. Fine, Vice President of Real Estate Frank Crowley, and Senior Vice President Lloyd D. Tarlin.





Charles R. Carroll Jr. joined the Company as Sales Promotion Manager in 1954. He directed Stop & Shop's Connecticut development effort, and was named Divisional Vice President for this new unit in 1961. In 1963 he was elected Vice President, Retailing, and since 1967 has been directing the Company's major development effort in the New York-New Jersey area.

In 1967, The Stop & Shop Companies set sights on New York and New Jersey. It was a whole new ball game.

Moving into the competition-crowded but most densely populated area of the U. S. was a decision some questioned. Not Charles R. Carroll Jr., Vice President, who'd directed the now mature Connecticut-Western Mass. network of 46 food stores in the late fifties.

"I reasoned that if we were going to avoid an expansion area because of the competition, we'd better start wondering if we were as good as we thought we were. Besides, we just couldn't afford to pass up the millions of people in metropolitan New York and New Jersey. The potential was too great."

In developing Connecticut things were different: "We had a solid distribution and personnel pipeline from established headquarters in Boston. We knew many of the cities and towns – their economic structure, many of the contractors and developers, town government officials, suppliers, wholesalers."

Not so in New Jersey, where, in a people-packed corridor stretching west and south toward Philadelphia from Manhattan and north to Poughkeepsie, the Company went head to head against some of the biggest and most successful names in the business.

Once the decision was made the operation went into high gear at once. Carroll first guided intensive locational research studies, then developed the needed organization. Result: in the New York-New Jersey region initial efforts had realized eleven supermarkets and eleven Bradlees at year-end 1969. New York-New Jersey headquarters have been established at Fair Lawn, New Jersey.

(New York-New Jersey has figured in Medi Mart growth as well. Drug Division expansion has been synchronized with Food and Bradlees growth; three new drug stores now thrive in the densely populated New York-Northern New Jersey region.)

Growth continues in the New York-New Jersey area: through mid-1970 we expect to have opened three new Medi Marts, and three food stores.

The major difference between New York-New Jersey and Connecticut development has been organization. To insure the most efficient management control, and to cut

potential costly duplication of overhead, a single group of staff and office people control the personnel, labor relations, maintenance, security and administrative duties; and real estate and research activities.

The decision to concentrate a major growth effort in the nation's most urbanized states has been more than vindicated. The South Plainfield, N. J. and New City, N. Y. stores opened in 1967 and 1968, respectively, and are already producing sales much in excess of original projections. "Our initial studies weren't really that conservative," Carroll reports. "Rather, we've had some 'right things' going for us – tremendous customer acceptance of handsome new stores, fair prices, customer conveniences, and plain and simple service and courtesy, plus a merchandising policy that guarantees a lady can not feed her family for less elsewhere. But the most important is the organization of people – each determined to be the best in the area."

"These are basic business rules; they're not new. But we've made them work for us, and the results have been rewarding. We've taken steps to insure they continue this way, with our Consumer Board of Directors – housewives telling us how to do a good job better – and with a customer letter procedure which we call 'If you were President'."

Growth will continue in this region of over 7 million people. Carroll expects to realize two major plusses as stores mature and the Company's name becomes more of a by-word in the area: "first, our advertising will become more efficient, therefore less costly, as more stores appear within the geographic area of each advertisement's circulation."

"Second, as we increase our saturation, and as a result impact becomes stronger, more and more good people will be attracted to us, in order to be associated with a new, growing, dynamic company. We've seen this already."

"After all," Carroll reasons, "they're thinking that as we grow, their own career chances improve."

The spirit of people with that attitude has made New York-New Jersey – with the nation's largest city an hour's drive away, and with 17,000 separate industries the economic heartbeat of the northeast – the action end of The Stop & Shop Companies.

A double-edged sword – or a two-way channel for understanding. The attitude is what counts – that of either a defensive, insulated management; or one in tune with consumers' needs – and ready with aggressive programs to give the shopper a podium of her own, to probe, challenge, question, learn.

The Stop & Shop Companies began a varied effort early in 1969 to replace consumer skepticism with knowledge, and a sense of growing despair with a deeper sense of understanding. Not sympathy; understanding.

To illustrate:

A two-way dialogue with selected housewives, our Consumer Boards of Directors, meeting with management periodically in Boston and New Jersey, to voice the shopper's view of shopping problems; to challenge prices, advertising, product mix, physical facilities; to suggest ideas they'd implement if they were running the stores. Heading the effort: a full time Stop & Shop Director of Consumer Affairs.

A "Day" for consumers – a full day seminar for 400 home economists, business and civic leaders, educators, community action leaders, and homemakers. Lectures, panels, films, exhibits, meat cutting demonstrations – an industry "first" to stimulate discussion, to exchange ideas and to fuse together many of the relevant goals of the consumer movement.

Educational advertising – space in several Boston newspapers for articles on meat selection and preparation; government inspection and grading; new product information; buying suggestions. Consumer information will soon be a part of the Companies' regular advertising schedule.

Meat demonstrations – more than 80 meat cutting demonstrations were presented by Food Division specialists to social and civic groups during the year. Advice on preparing,

cooking, and wise purchasing of various meats is part of each demonstration.

The Mini Minder – a pocket sized calculator, originated by the Company in 1967, performs the computation; the shopper knows at once her price per ounce, and price per unit. Result – instant unit price, and cost per ounce comparison. Mini Minder promotion was stepped up in 1969.

Color coded meat labels quickly indicate the best cooking method for separate cuts of meat – red for pan frying, blue for broiling, etc. Specific cooking and serving suggestions are included.

"Large Economy Size" – or is it? In the summer of 1969 the Food Division took independent action in notifying manufacturers to adjust their prices downward on some 59 items to insure fractionally cheaper large size products, consistently.

Independent Testing Service – an existing internal Food Division quality control program is now augmented by a continuing series of rigorous tests on a growing list of Bradlees products – both with the Bradlees and with national brand labels.

"Consumerism," reports the Companies' Director of Consumer Affairs Millicent A. Snow, "is a movement that needs the stabilizing effect of thoughtful, factual programs, directed from retailer to consumer. The average consumer has demonstrated dramatically that she wants the economic facts, in order to make her own reasoned decisions in what for her is a very confusing marketplace.

"Business has always had the organization, and the knowledge, to present these facts effectively.

"What we now have is a sense of greater responsibility to guide and give substance to this sweeping movement. We have made a beginning; the opportunities are boundless."



"WHEREAS for the first time in Boston Stop & Shop Inc. is sponsoring a day-long event to promote consumer education . . . whereas the consumer has a right to be informed; to be protected; and to be heard; now, therefore, I do hereby declare November 29, 1969 as CONSUMERS' DAY in Boston and urge that all citizens pay tribute to the goals of this day . . ." Above, Mayor White's declaration is presented to the Companies' Director of Consumer Affairs Millicent A. Snow.





Executive Vice President Avram J. Goldberg joined The Stop & Shop Companies' Real Estate Division in 1958, and was named Vice President of this Division in 1963. He became Food Division Zone Manager, Vice President for Food Store Operations, and Vice President, Food Division before promotion to his present assignment in August of 1968. He has instituted advanced training and education programs throughout the Companies, and inaugurated participatory management concepts within all divisions.

"Retailers of the seventies will put even greater emphasis on accurate advertising . . . on stricter sanitation in food stores . . . on more accurate informational labeling . . . on the availability of sale merchandise . . . on more comprehensive consumer education programs . . . on catering to individual age, income and ethnic groups . . . on the cost of health care and pharmaceutical drugs . . . on the safety of everything which is sold."

Thus, Avram Goldberg outlines The Stop & Shop Companies' overriding concern in the coming decade. The seventies will bring "a dedication to the dynamics of change – not merely to meet the requirements of economic survival, but to suggest – even define clearly – the needs of tomorrow's consumer."

"That's a tall order. But in a sense it's not a new role for us at all. A retailing company must decide for itself whether it will follow, or shape, tomorrow's trends. If we want to continue to profit from our past leadership, and from our intimate weekly contact with more than two million people, we must eagerly reach out to embrace what is coming."

"As the 1970's will inevitably accelerate the changes within the social fabric of America, so will they accelerate the unique involvement of leading retail companies in those changes."

"We are all consumers – and as all of us become more involved, and more committed, the movement which has been labeled 'consumerism' will gain clarity, potency and new dimensions we can only guess at today."

"Let me be more specific about shaping and directing change. We will see more face to face business interaction with consumers from the stimulus of programs like our own Consumer Boards of Directors, and our first 'Consumers' Day'."

"This is a healthy, positive benefit for all of us. As suppliers of the very basic items of food, clothing and prescription drugs, and as the industry most exposed to the reaction to rising prices everywhere, we stand to suffer greatest from inaction; or conversely to gain the most from positive, aggressive action. By staying on the leading edge of the wave of consumerism, we can realize both positive social benefit and economic accomplishment."

"Our exposure also presents us with grave social responsibilities. We must continue to train and educate members of the lower income communities through efforts similar to our federal government MA-3 training program. We must, throughout the retailing industry, develop innovative methods to facilitate feeding and clothing the poor. . . and to develop more meaningful 'open doors' like our Companies' new Black Scholarship program instituted last year, and our expanding

southern college recruiting effort."

"As the demands of our marketplace change, our supermarket profile will change. We will have a veritable explosion of frozen food and fast meal items. As we gain marketing expertise, our own stores will have expanded florist shops . . . major stationery and greeting card sections . . . lighting centers . . . a broad range of household plastic products."

"Our Bradlees stores will probably stay at about 100,000 square feet – influenced by property costs, labor costs and the simple fact that we don't want people feeling they're in huge warehouses. Our drug stores should number 15 or 16 by the end of this year, and they'll average about 12,000 square feet selling space, 17,000 square feet overall."

"Although we continue to explore the advantages of multi-level supermarkets or department stores, they do not as yet appear feasible. Although land will be more expensive, two-floor operations are even *more* expensive."

"We will see more and more of the old back room functions of the supermarket assumed in central warehouses. And electronics will prove a tremendous aid to both the retailing industry and the consumer in the seventies. We must have product coding and scanning techniques, for faster, more accurate service for the shopper, and a continuous inventory record for us; we'll see ready-to-eat meals cooked in seconds, greater security through electronic sensing systems; and constant 'advice' from computers on pricing levels, product mix, store locations, advertising, efficiency of distribution methods, inventory decisions, and other behind-the-scenes operations that comprise our greatest expense areas today. We will benefit, and the consumer will benefit."

How about the look of the stores?

"Our present decor patterns, as researched and applied by our Marketing Services department, will remain with us well into the seventies. While our carpeting experiments in food stores did not prove out, there will be more recessed lighting, and varied wall styles. Standardized decor fixtures will lower costs, both inside and out – we will have three or four basic food store architectural styles, to harmonize best with the specific community we're entering."

"Our mercantile stores will see even more emphasis on modern 'now' interiors – contemporary styles to match the moods, the average age and income groups our research tells us to expect from the typical Bradlees shopper. 'Flexibility' will continue to be the rule; fixtures, walls, aisles, and shelving will all be movable."

"Our drug stores will wear well until

far into the seventies – and with more stores and more standardization we'll lower initial costs in this area. But as elsewhere we're influencing, not reacting to, change, and we're working on another basic Medi Mart design theme for the later seventies.

"In the broader sense, we hope to become a dominant economic force in several major marketing areas of the northeastern United States. We *all* feel this, and not just from looking at statistics on the burgeoning numbers of young marrieds, or their level of sophistication, education, wealth and disposable income.

"Our confidence is based on two major, present day realities: (1) We are today focussing the attention of over 2,000,000 consumers on total value – the quantitative values of price and variety; and qualitative values of reliability, service, integrity.

"This consumer awareness is perhaps the most valued possession any retailing concern can ever hope to 'own'.

"Secondly, the quality and depth of our management – tested stringently by a massive, multi million dollar store and personnel expansion program now in its fourth year – have measured up to the sustained high pressures of growth. As we grow, we attract the attention of the best people in the business.

"Our middle management represents more than 50 separate colleges and 15 graduate schools. And we have sophisticated manage-

ment training programs for each division."

(The companies' budget for training and recruiting over the past three years has increased some 400 per cent.)

"Tomorrow's Stop & Shop Companies will rely on the team work of more than 20,000 employees who have at least one common conviction – that only from their personal passion for excellence can come their Companies' success. Only top people can synchronize the engineering, operational, merchandising, design, construction, real estate and personnel challenges that go into an expanding complex of better stores at lower costs.

"The challenge to The Stop & Shop Companies of the seventies is to grow. To do this we must strengthen our ability to attract high caliber youth – not to 'train' them but to help them develop as total human beings.

"The best of our young people will be attracted only to a Company that has the kind of total involvement I have just described. They will put up with the admittedly heavy burdens of a retailing career only if it offers them something more than business success.

"Through a combination of leadership and management development programs, we are building 'something more' – a climate in The Stop & Shop Companies which not only tolerates but thrives on controversy, bold innovation and constructive conflict.

"We feel that in the seventies, this will be the climate of excellence."



Computer Resources and Management Science – central computer facility provides logistical support to all divisions. Some advanced computer techniques: Electronic transmission in coded form of store orders and payroll information from stores, directly into the computer; Optical scanning of handwritten data to eliminate manual keypunching and verifying of computer inputs; Computer simulation of design and workflow of a new grocery warehouse to determine best layout for lowest cost and efficient operation before it's built; Computer scheduling of deliveries of perishable products to stores, for lowest cost combinations of routing and loads; and (also in latter stages of development) a computerized financial planning model to permit management to compare, through "what if . . ." questions addressed to the computer, a wide range of investment and marketing choices to help in making decisions consistent with our long-range objectives.



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Marketing, Harvard
Graduate School of
Business
Administration
Director, Hannaford
Brothers Company
Director, Super Market
Institute



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Chairman of the Board,
Cahners Publishing
Company
Trustee, Northeastern
University
Vice President, Museum
of Science



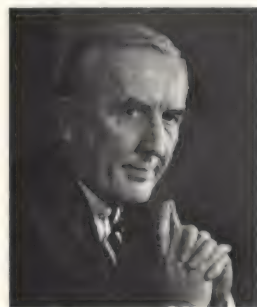
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Northeastern
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Institute of Certified
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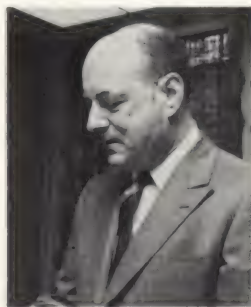
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Aquarium
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and Liberty Mutual
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Hospital Medical
Center
Director and Member,
Executive Committee,
Seaboard Coastline
Railroad and
Seaboard Coastline
Industries

*FULL LINE of
prescription
drugs is just for
openers at Medi
Mart - 30,000
items, in 47 sep-
arate merchan-
dising categories,
fill out the rest
of the super drug
stores of the
seventies. Medi
Mart's a grow-
ing name - nine
more are set for '70.*

pharmacy



Fun
stop





TOYS and leisure-time products form a swelling new market which met Company criteria of above average growth potential, familiar products, marketing and distribution demands. First two "Funstop" units were announced, appropriately, on Christmas Eve '69.

PIPES in 75 varieties, from a dozen countries, made of materials from glass to meerschauum, line the walls of the 21 units of the Perkins Tobacco Shops. Pipe tobacco's even more varied - 115 different types, plus hundreds of special mixtures which Perkins makes up on request.

The Stop & Shop Companies, Inc.

Sidney R. Rabb, Chairman of the Board and Chief Executive Officer*
Irving W. Rabb, Vice Chairman of the Board and Chairman, Executive Committee*
Donald A. Gannon, President*
Avram J. Goldberg, Executive Vice President*
Lloyd D. Tarlin, Senior Vice President*
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Norman C. Peterson, Controller*
Donald J. Hurley, Clerk*
Arthur S. Robbins, Assistant Treasurer*

Stop & Shop Supermarkets:

Charles R. Carroll, Jr., Vice President, New York-New Jersey*
Robert H. Kroeger, Vice President, New England*
Spyros A. Gavris, Vice President, Food Sales
Sidney L. Goldstein, Vice President, Connecticut Food Division
Ralph J. Lordi, Vice President, Director of Buying and Grocery Sales Manager
Donald W. Stowbridge, Vice President, Stores Operations, Boston

Manufacturing:

Arthur Norris, Vice President*
George Marshall, Director of Manufacturing Operations

Bradlees Department Stores:

Robert J. Futoran, President
Robert L. Harrow, Vice President, North Region
Robert M. Pliner, Vice President and General Merchandise Manager
Richard I. Shuman, Vice President, South Region
Richard F. Spears, Vice President*

The Harold Hahn Company:

Harold H. Hahn, President

Medi Mart Drug Stores:

H. Sumner Hatch, Vice President

Charles B. Perkins Tobacco Shops:

Robert J. Levin, President

Funstop Toy Stores:

Anast W. Giokas, Vice President

E. L. Nason Co., Inc., and Fargo Potato Company:

Philip Lane, General Manager

Transfer Agents:

The First National Bank of Boston
Bankers Trust Company of New York

Registrars:

The National Shawmut Bank of Boston
Morgan Guaranty Trust Company of New York

Auditors:

Peat, Marwick, Mitchell & Co.

General Offices:

393 D Street, Boston, Massachusetts 02210

Shares Traded On:

Boston Stock Exchange and American Stock Exchange

Annual Meeting:

May 26, 1970 at 1:30 P.M. at the Companies' offices, 393 D Street, Boston



The Stop & Shop Companies